

Message Text

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FOR ASSISTANT SEC ENDERS

FOLLOWING REPEAT CARACAS 2336 ACTION SECSTATE DTD 4 MAR

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E.O. 11652: N/A

TAGS: EFIN, VE

SUBJECT: INTERNATIONAL MONETARY DECISIONS AWAITED

1. THE CENTRAL BANK ANNOUNCED MARCH 5 THAT IMPORTANT MONETARY DECISIONS WOULD HAVE TO BE MADE BY VENEZUELA AFTER THE OIL SUMMIT CONFERENCE IN ALGERIA. THESE DECISIONS WOULD BE CONCERNED WITH THE FALL OF THE DOLLAR, WORLD INFLATION, AND FINANCIAL COOPERATION WITHIN THE INTERNATIONAL MONETARY FUND.

2. ON THE SAME DAY FORMER FINANCE MINISTER LUIS ENRIQUE OBERTO CALLED FOR REVALUATION OF THE BOLIVAR AS THE MOST VIABLE MEANS OF OFFSETTING THE FALLING VALUE OF THE DOLLAR, WHICH HE NOTED HAS DECLINED 18 PERCENT IN RELATION TO THE FOURTEEN MAJOR CURRENCIES DURING THE PAST FIVE YEARS. HE SAID THAT THE DEFICIT SPENDING POLICIES OF THE UNITED STATES WOULD CAUSE THE VALUE OF THE DOLLAR TO CONTINUE TO DECLINE. OBERTO ARGUED THAT BY REVALUING THE BOLIVAR

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THE COST OF VENEZUELAN IMPORTS WOULD BE REDUCED THUS MODERATING THE

INFLATIONARY PRESSURE WITHIN VENEZUELA. IN THIS CONNECTION HE NOTED THAT WHOLESALE PRICES HAVE INCREASED 25 PER CENT.

3. COMMENT: DESPITE PREVIOUS AFFIRMATIONS BY THE GOVERNMENT THAT NO REVALUATION WAS ANTICIPATED, THERE IS THE DISTINCT POSSIBILITY THAT POLITICAL PRESSURE REFLECTED BY SUCH STATEMENTS AS OBERTO'S COULD CAUSE A CHANGE IN POSITION CONCERNING REVALUATION. THE MAIN ARGUMENT AGAINST REVALUATION CONTINUES TO BE THAT VENEZUELA'S NON-EXTRACTIVE EXPORTS WOULD BECOME LESS COMPETITIVE. ALSO SINCE VENEZUELA HAS MORE THAN \$5 BILLION OF ITS RESERVES IN DOLLARS, IT IS NOT IN ITS INTEREST TO CONTRIBUTE TO DEPRESSING THE VALUE MORE IN THE INTERNATIONAL MONETARY MARKETS THROUGH REVALUING AGAINST THE DOLLAR.
MCCLINTOCK UNQTE INGERSOLL

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